

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>NEW BUFFALO TOWNSHIP</b>	County <b>BERRIEN</b>
Audit Date <b>6/30/04</b>	Opinion Date <b>12/17/04</b>	Date Accountant Report Submitted to State: <b>12/29/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>MCMURRAY, MARKS &amp; EDMUNDS</b>			
Street Address <b>805 VAN BRUNT AVENUE</b>		City <b>SAINT JOSEPH</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>49085</b>	Date <b>12/17/04</b>

**NEW BUFFALO TOWNSHIP**  
**BERRIEN COUNTY, MICHIGAN**

**FINANCIAL REPORT**

**June 30, 2004**

**NEW BUFFALO TOWNSHIP**  
**New Buffalo, Michigan**  
**June 30, 2004**

**TOWNSHIP BOARD**

Agnes Conway

Rolland Oselka

Herman Steinke

Peter Rahm

Juanita Braden

Supervisor

Clerk

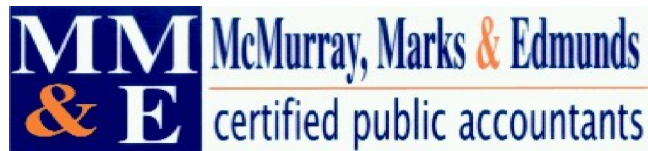
Treasurer

Trustee

Trustee

**NEW BUFFALO TOWNSHIP**  
**New Buffalo, Michigan**  
**June 30, 2004**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the  
New Buffalo Township

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of New Buffalo Township (the "Township"), as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of New Buffalo Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of New Buffalo Township as of June 30, 2004, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, New Buffalo Township has implemented a new financial reporting model, as required by Government Accounting Standards Board No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of June 30, 2004.

The management's discussion and analysis and budgetary comparison information on pages 2 through 8 and page 34 are not a required part of the basic financial statements but are supplemental information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise New Buffalo Township basic financial statement. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in cursive script that reads 'McMurray, Marks &amp; Edmunds'.

McMurray, Marks & Edmunds  
December 17, 2004

**Using this Annual Report**

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as whole and present longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

**Financial Highlights**

The Township's combined net assets increased 1.8% from a year ago—increasing from \$8,254,930 to \$8,400,526. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase in net assets of \$62,683 during the year, while the business-type activities experienced an increase in net assets of \$82,913.

**Overview of the Financial Statements**

This report consists of four parts---*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Township government, reporting the Township's operations in more detail than the government-wide statements.
  - Ø The *governmental funds statements* tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
  - Ø *Proprietary fund statements* offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as the water and sewer system.
  - Ø *Fiduciary fund statements* provide information about the financial relationships, in which the Township acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required parts of the report, we have included a section with combining statements that provide details about our non-major governmental funds, which are added together and presented in single columns in the basic financial statements. The following table summarizes the major features of the Township's financial statements, including the portion of Township government they cover and the types of information they contain. The remainder of the overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Overview of the Financial Statements, Concluded**

Major Features of New Buffalo Township's Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Township government (except fiduciary funds) and the Township's Component units.	The activities of the Township that are not proprietary or fiduciary, such as ambulance, building, and liquor.	Activities the Township operates similar to private businesses: the water and sewer system.	Instances in which the Township is the trustee or agent for someone else's resources, such as property tax collections.
Required Financial Statements.	> Statement of net assets > Statement of activities.	> Balance Sheet > Statement of revenues, expenditures, and changes in fund balances.	> Statement of net assets > Statement of revenues, expenditures, and changes in fund balances. > Statement of cash flows	> Statement of fiduciary net assets > Statement of changes in fiduciary net assets.
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term; the Township's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information.	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

**Government-wide Statements**

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities, which is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township's property tax base and condition of the Township's infrastructure.

**Government-wide Statements, Concluded**

The government-wide financial statements of the Township are divided into three categories:

- Governmental activities—Most of the Township's basic services are included here, such as general government, public safety, public works, and recreation and culture.
- Business-type activities—The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system are included here.
- Component units—The Township includes one other entity in its report—the New Buffalo Township Library. Although legally separate, the “component unit” is important because the Township is financially accountable for them.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the Township's most significant funds—not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Township Board establishes other funds to control and manage money for a particular purpose (i.e. building or liquor sales tax monies) or to show that it is properly using certain taxes and grants (i.e. ambulance monies).

The Township has the following three kinds of funds:

- *Governments Funds*—Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary Funds*—Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Township's enterprise funds (a type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- *Fiduciary Funds*—The Township is the trustee, or fiduciary, for its property tax collections. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.



**Financial Analysis Of The Township As A Whole**

The Township's combined net assets were \$8,400,526. In a condensed format the following table below shows a breakdown of the net assets:

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Current Assets	\$ 531,133	\$ 7,240,690	\$ 7,771,823
Capital Assets	495,122	5,133,254	5,628,376
<b>Total Assets</b>	<u>\$ 1,026,255</u>	<u>\$ 12,373,944</u>	<u>\$ 13,400,199</u>
Long-term debt outstanding	\$ 7,500	\$ 4,857,735	\$ 4,865,235
Other liabilities	55,258	79,180	134,438
<b>Total Liabilities</b>	<u>\$ 62,758</u>	<u>\$ 4,936,915</u>	<u>\$ 4,999,673</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 487,622	\$ 3,383,281	\$ 3,870,903
Unrestricted	475,875	4,053,748	4,529,623
<b>Total Net Assets</b>	<u><u>\$ 963,497</u></u>	<u><u>\$ 7,437,029</u></u>	<u><u>\$ 8,400,526</u></u>

Unrestricted net assets—the part of net assets that can be used to finance day to day operations, increased by \$62,683 for the governmental activities. The current level of unrestricted net assets for governmental activities stands at \$475,875, or about 58.79% of expenditures. This is within the targeted range set by the Township Board during its last budget process.

The following table shows the changes of the net assets as of the current date.

	Governmental Activities	Business-Type Activities	Total
Program Revenues			
Charges for services	\$ 328,105	\$ 720,152	\$ 1,048,257
Operating Grants and Contributions	-	-	-
General Revenues			
Property Taxes	276,603	-	276,603
State Shared Revenues	137,558	-	137,558
Interest and Rentals	74,432	16,806	91,238
Miscellaneous	25,379	-	25,379
Special Items	-	(20,034)	(20,034)
Total Revenues	<u>\$ 842,077</u>	<u>\$ 716,924</u>	<u>\$ 1,559,001</u>
Program Expenses			
General Government	\$ 536,242	\$ -	\$ 536,242
Public Safety	223,066	-	223,066
Public Works	14,958	-	14,958
Recreation and Culture	4,780	-	4,780
Interest on Long-Term Debt	348	-	348
Water	-	233,694	233,694
Sewer	-	400,317	400,317
Total Expenses	<u>\$ 779,394</u>	<u>\$ 634,011</u>	<u>\$ 1,413,405</u>
Change in Net Assets	<u>\$ 62,683</u>	<u>\$ 82,913</u>	<u>\$ 145,596</u>

The Township's net assets continue to remain healthy. As a result, net assets grew by \$145,596.

### **Governmental Activities**

The Township's total governmental revenues increased by approximately \$14,000 and expenses decreased by \$177,600 during the year. This was primarily the result of close budget monitoring throughout the year and about a \$100,000 reduction in building fund expenditures.

**Business-Type Activities**

The Township's business-type activities consist of the Water and Sewer Fund. We provide water to the Township residents from the New Buffalo Township's water system and sewage treatment through the GRSD Sewer Authority sewage treatment plant. In 2004, operating revenues increased by \$159,000 due to an increase in tap-in fees, with expenses increasing by \$39,000 largely due to increased interest expense.

**The Township's Funds**

Our analysis of the Township's major funds begins on page 11, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millage. The Township's major fund for 2004 included the General Fund.

The General Fund pays for most of the Township's governmental services, including legislative, fire, cemetery, and other. The most significant is fire, which incurred expenses of approximately \$116,266 in 2004. The service is supported by general revenue sources of the General Fund.

**General Fund Budgetary Highlights**

Over the course of the year, the Township Board amended the budget to take into account events during the year. The change in budget did not adjust total revenues or expenditures, however, categories and functions within the revenues and expenditures were adjusted.

**Capital Asset and Debt Administration**

At the end of June 30, 2004, the Township had investment in capital assets for its governmental and business-type activities of \$5,628,376 (net of depreciation). This investment includes a broad range of capital assets, including land, buildings and improvements, furniture and equipment, and water and sewer lines. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statement because of Michigan law, which makes these roads the property of the Berrien County Road Commission, along with the responsibility to maintain them. The Township has chosen to not retroactively report any other infrastructure assets at June 30, 2003 and will only report any additions prospectively in accordance with G.A.S.B. #34.

**Long-Term Debt**

At the end of the current fiscal year, the Township had total debt outstanding of \$4,865,235 (net of unamortized discounts). The Township's total debt increased due to the issuance of \$3,197,168 in bonds from the GRSD Sewer Authority (the "Authority") for the expansion and upgrade to the sewer treatment plant. Pursuant to Public Act 233, the Authority has agreed to finance the project in exchange for the contractual payments to be made by the contracting municipalities, to which the Township has irrevocably pledged their full faith and credit in support of the payments.

**Economic Factors and Next Year's Budgets and Rates**

The Township's anticipates revenue over expenditures in the governmental and business-type activity funds.

We also anticipate that the sewer rates will have to increase somewhat in fiscal 2005 due to increased capacity at the GRSD Sewer Authority and the associated construction costs. We are in the process of evaluating the amount of increase that will be needed and will likely have a public hearing in 2005 to discuss the need for such an increase.

**Comparative Information**

The financial report does not show any comparative data because the current year was the first year of adopting G.A.S.B. 34 reporting. Next year the Township expects to present full comparative statements.

**Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

The financial report of the discretely presented component unit, New Buffalo Township Library, can be obtained directly from the management of the Library.

**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**June 30, 2004**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash and Cash Equivalents	\$ 466,611	\$ 959,061	\$ 1,425,672	\$ 375,144
Certificates of Deposit	19,159	445,669	464,828	-
Taxes Receivable	2,256	-	2,256	-
Receivables, Net	543	1,979,896	1,980,439	-
Internal Balances	5,938	64,356	70,294	-
Due From Other Governments	23,307	4,235	27,542	-
Prepaid Expenses	13,319	-	13,319	-
Equity Investment	-	3,787,473	3,787,473	-
Capital Assets, Net	495,122	5,133,254	5,628,376	88,276
Total Assets	<u>\$ 1,026,255</u>	<u>\$ 12,373,944</u>	<u>\$ 13,400,199</u>	<u>\$ 463,420</u>
<b>Liabilities</b>				
Accounts Payable	\$ 15,066	\$ 10,331	\$ 25,397	\$ -
Accrued and Other Liabilities	2,120	41,604	43,724	-
Internal Balances	38,072	27,245	65,317	-
Noncurrent Liabilities				
Due Within One Year	2,500	204,662	207,162	-
Due in More Than One Year	5,000	4,653,073	4,658,073	-
Total Liabilities	<u>\$ 62,758</u>	<u>\$ 4,936,915</u>	<u>\$ 4,999,673</u>	<u>\$ -</u>
<b>Net Assets</b>				
Invested in Capital Assets Net of Related Debt	\$ 487,622	\$ 3,383,281	\$ 3,870,903	\$ 88,276
Unrestricted	475,875	4,053,748	4,529,623	375,144
Total Net Assets	<u>\$ 963,497</u>	<u>\$ 7,437,029</u>	<u>\$ 8,400,526</u>	<u>\$ 463,420</u>

**NEW BUFFALO TOWNSHIP**

**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

**June 30, 2004**

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
				Primary Government			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Units
<b>Primary Government</b>							
<i>Governmental Activities</i>							
General Government	\$ 536,242	328,105	\$ -	\$ (208,137)		\$ (208,137)	
Public Safety	223,066	-	-	(223,066)		(223,066)	
Public Works	14,958	-	-	(14,958)		(14,958)	
Recreation and Culture	4,780	-	-	(4,780)		(4,780)	
Interest on Long-Term Debt	348	-	-	(348)		(348)	
Total Governmental Activities	<u>\$ 779,394</u>	<u>\$ 328,105</u>	<u>\$ -</u>	<u>\$ (451,289)</u>		<u>\$ (451,289)</u>	
<i>Business-Type Activities</i>							
Water	\$ 233,694	\$ 236,359	\$ -		\$ 2,665	\$ 2,665	
Sewer	400,317	483,793	-		83,476	83,476	
Total Business-Type Activities	<u>\$ 634,011</u>	<u>\$ 720,152</u>	<u>\$ -</u>		<u>\$ 86,141</u>	<u>\$ 86,141</u>	
Total Primary Government	<u>\$ 1,413,405</u>	<u>\$ 1,048,257</u>	<u>\$ -</u>	<u>\$ (451,289)</u>	<u>\$ 86,141</u>	<u>\$ (365,148)</u>	
<b>Component Units</b>							
New Buffalo Township Library	<u>\$ 209,815</u>	<u>\$ 73,939</u>	<u>\$ -</u>				<u>\$ (135,876)</u>
<b>General Revenues</b>							
Property Taxes				\$ 276,603	\$ -	\$ 276,603	\$ 166,040
State Shared Revenues				137,558	-	137,558	5,402
Interest and Rentals				74,432	16,806	91,238	6,652
Miscellaneous				25,379	-	25,379	4,674
Special items- Loss from Joint Venture				-	(20,034)	(20,034)	-
Total General Revenues and special items				<u>\$ 513,972</u>	<u>\$ (3,228)</u>	<u>\$ 510,744</u>	<u>\$ 182,768</u>
Change in net assets				\$ 62,683	\$ 82,913	\$ 145,596	\$ 46,892
Net Assets-Beginning				900,814	7,354,116	8,254,930	416,528
Net Assets-Ending				<u>\$ 963,497</u>	<u>\$ 7,437,029</u>	<u>\$ 8,400,526</u>	<u>\$ 463,420</u>

**NEW BUFFALO TOWNSHIP****GOVERNMENTAL FUND BALANCE SHEET****June 30, 2004**

	General <u>Fund</u>	Non-Major Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 341,484	\$ 125,127	\$ 466,611
Certificate of Deposits	19,159	-	19,159
Taxes Receivable	1,894	362	2,256
Receivables, net	543	-	543
Due from other governmental units	23,307	-	23,307
Due from other governmental funds	1,901	-	1,901
Due from Fiduciary Funds	4,885	92	4,977
Due from Proprietary Funds	961	-	961
Prepaid Expenses	13,319	-	13,319
Total Assets	<u>\$ 407,453</u>	<u>\$ 125,581</u>	<u>\$ 533,034</u>
<b>Liabilities and Fund Equity</b>			
Liabilities			
Accounts Payable	\$ 14,544	\$ 522	\$ 15,066
Other current liabilities	2,120	-	2,120
Deferred Revenue	1,894	-	1,894
Due to other governmental funds	-	1,901	1,901
Due to Proprietary Funds	38,072	-	38,072
Total Liabilities	<u>\$ 56,630</u>	<u>\$ 2,423</u>	<u>\$ 59,053</u>
<b>Fund Balance</b>			
Reserved			
Prepaid expenses	\$ 13,319	\$ -	\$ 13,319
Unreserved:			
Designated	120,948	-	120,948
Undesignated	216,556	123,158	339,714
Total Fund Equity	<u>\$ 350,823</u>	<u>\$ 123,158</u>	<u>\$ 473,981</u>
Total Liabilities and Fund Equity	<u>\$ 407,453</u>	<u>\$ 125,581</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

- \* Capital assets used in governmental activities are not financial resources and are not reported in the funds 495,122
- \* Deferred revenues reported in the governmental funds are recognized as revenues for governmental funds 1,894
- \* Long-term liabilities are not due and payable in the current period and are not reported in the funds. (7,500)

Net Assets of Governmental Activities \$ 963,497

**NEW BUFFALO TOWNSHIP****GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE****June 30, 2004**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 152,449	\$ 122,260	\$ 274,709
Service and tax administrator fees	113,012	-	113,012
Licenses and Permits	3,163	-	3,163
State Grants	137,558	-	137,558
Charges for Services	21,632	193,461	215,093
Fines and Forfeits	178	-	178
Interest and Rentals	73,997	435	74,432
Other Revenues	17,368	4,670	22,038
Total Revenues	<u>\$ 519,357</u>	<u>\$ 320,826</u>	<u>\$ 840,183</u>
<b>Expenditures</b>			
Current			
General Government	\$ 321,297	\$ 154,922	\$ 476,219
Public Safety	116,266	106,800	223,066
Public Works	14,958	-	14,958
Recreation and Culture	4,780	-	4,780
Debt Service	2,848	-	2,848
Capital Outlay	-	-	-
Total Expenditures	<u>\$ 460,149</u>	<u>\$ 261,722</u>	<u>\$ 721,871</u>
<b>Excess of Revenues Over Expenditures</b>	<u>\$ 59,208</u>	<u>\$ 59,104</u>	<u>\$ 118,312</u>
<b>Other Financing Sources(Uses)</b>			
Operating Transfers In	\$ -	\$ -	\$ -
Operating Transfers Out	-	-	-
Total Other Financing Sources(Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Excess of Revenue and Other Sources Over Expenditures and Other Uses</b>	<u>\$ 59,208</u>	<u>\$ 59,104</u>	<u>\$ 118,312</u>
Fund Balance-July 1, 2003	291,615	64,054	
Fund Balance-June 30, 2004	<u>\$ 350,823</u>	<u>\$ 123,158</u>	

Amounts reported for governmental activities in the statement of activities are different because:

* Governmental funds report capital outlay as expenditures: in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.	(60,023)
* Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	2,500
* Revenues recorded in the statement of activities when they provide current financial resources are not reported in the funds	1,894
Change in Net Assets of Governmental Activities	<u>\$ 62,683</u>



**PROPRIETARY FUND STATEMENT OF NET ASSETS**  
**June 30, 2004**

	Water <u>Fund</u>	Sewer <u>Fund</u>	Total Proprietary <u>Funds</u>
<b>Assets</b>			
Current Assets			
Cash and Cash Equivalents	\$ 335,716	\$ 623,345	\$ 959,061
Certificates of Deposit	109,446	336,223	445,669
Receivables, net	1,321,988	657,908	1,979,896
Due from other governmental funds	38,072	-	38,072
Due from other proprietary funds	-	26,284	26,284
Due from other governments	4,235	-	4,235
Total Current Assets	<u>\$ 1,809,457</u>	<u>\$ 1,643,760</u>	<u>\$ 3,453,217</u>
Noncurrent Assets			
Equity Investment	\$ -	\$ 3,787,473	\$ 3,787,473
Capital Assets	2,749,883	2,383,371	5,133,254
Total Noncurrent Assets	<u>\$ 2,749,883</u>	<u>\$ 6,170,844</u>	<u>\$ 8,920,727</u>
Total Assets	<u>\$ 4,559,340</u>	<u>\$ 7,814,604</u>	<u>\$ 12,373,944</u>
<b>Liabilities</b>			
Current Liabilities			
Accounts Payable	\$ 96	\$ 10,235	\$ 10,331
Accrued Interest	16,997	24,607	41,604
Due to other governmental funds	-	961	961
Due to other proprietary funds	26,284	-	26,284
Current portion of noncurrent liabilities	177,187	27,475	204,662
Total Current Liabilities	<u>\$ 220,564</u>	<u>\$ 63,278</u>	<u>\$ 283,842</u>
Noncurrent Liabilities			
Bonds payable	1,190,186	3,462,887	4,653,073
Total Liabilities	<u>\$ 1,410,750</u>	<u>\$ 3,526,165</u>	<u>\$ 4,936,915</u>
<b>Net Assets</b>			
Invested in Capital Assets-Net of related debt	\$ 1,382,510	\$ 2,000,771	\$ 3,383,281
Unrestricted	1,766,080	2,287,668	4,053,748
Total Net Assets	<u>\$ 3,148,590</u>	<u>\$ 4,288,439</u>	<u>\$ 7,437,029</u>

**NEW BUFFALO TOWNSHIP****PROPRIETARY FUND STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS****June 30, 2004**

	Water <u>Fund</u>	Sewer <u>Fund</u>	Total Proprietary <u>Funds</u>
<b>Operating Revenues</b>			
Water Sales	\$ 19,913	\$ -	\$ 19,913
Sewage Disposal Services	-	307,870	307,870
Penalties and Interest Charges	95,891	53,321	149,212
Installation and Other Miscellaneous Charges	120,555	122,602	243,157
Total Operating Revenues	<u>\$ 236,359</u>	<u>\$ 483,793</u>	<u>\$ 720,152</u>
<b>Operating Expenses</b>			
Personal Services	\$ -	\$ 5,122	\$ 5,122
Contractual Services	20,000	140,336	160,336
Repairs and Maintenance	15,754	18,927	34,681
Other Supplies and Expenses	8,626	3,896	12,522
Depreciation	112,771	127,703	240,474
Total Operating Expenses	<u>\$ 157,151</u>	<u>\$ 295,984</u>	<u>\$ 453,135</u>
Operating Income	<u>\$ 79,208</u>	<u>\$ 187,809</u>	<u>\$ 267,017</u>
<b>Nonoperating Revenues(Expenses)</b>			
Interest and Investment Revenue	\$ 5,137	\$ 11,669	\$ 16,806
Loss from Joint Venture	-	(20,034)	(20,034)
Gain(Loss) on Sale of Assets	-	-	-
Interest Expense	(76,543)	(99,119)	(175,662)
Miscellaneous	-	(5,214)	(5,214)
Total Nonoperating Revenues(Expenses)	<u>\$ (71,406)</u>	<u>\$ (112,698)</u>	<u>\$ (184,104)</u>
Income Before Contributions and Transfers In(Out)	<u>\$ 7,802</u>	<u>\$ 75,111</u>	<u>\$ 82,913</u>
Capital Contributions	-	-	-
Transfers In(Out)	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>\$ 7,802</u>	<u>\$ 75,111</u>	<u>\$ 82,913</u>
Total Net Assets-Beginning	\$ 3,140,788	\$ 3,734,604	\$ 6,875,392
Prior-period adjustment--error in recording of equity investment	-	478,724	478,724
Total Net Assets-Beginning as restated	<u>\$ 3,140,788</u>	<u>\$ 4,213,328</u>	<u>\$ 7,354,116</u>
Total Nets Assets-Ending	<u>\$ 3,148,590</u>	<u>\$ 4,288,439</u>	<u>\$ 7,437,029</u>

## PROPRIETARY FUND STATEMENT OF CASH FLOWS

June 30, 2004

	Proprietary Funds
<b>Cash Flows From Operating Activities</b>	
Receipts from Customers	\$ 875,733
Payments to Suppliers	(211,690)
Payments to Employees	(5,122)
Internal Activity-Payments to Other Funds	-
Other Receipts(Payments)	37,577
Net Cash Provided(Used) by Operating Activities	<u>\$ 696,498</u>
<b>Cash Flows From Noncapital Financing Activities</b>	
Operating Subsidies and Transfers to Other Funds	<u>\$ -</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Purchases of Capital Assets	\$ (29,112)
Principal paid on Capital Debt	(375,210)
Interest paid on Capital Debt	(159,021)
Net Cash Provided(Used) by Capital and Related Financing Activities	<u>\$ (563,343)</u>
<b>Cash Flow From Investing Activities</b>	
Interest and Dividends	\$ 16,806
Other Receipts(Payments)	304,622
Net Cash Provided(Used) by Investing Activities	<u>\$ 321,428</u>
Net Increase in Cash and Cash Equivalents	\$ 454,583
Cash and Cash Equivalents-Beginning	<u>504,478</u>
Cash and Cash Equivalents-Ending	<u><u>\$ 959,061</u></u>
<b>Reconciliation of Operating Income(Loss) to Net Cash Provided(Used) by Operating Activities</b>	
Operating Income(Loss)	\$ 267,017
Adjustment to Reconcile Operating Income to Net Cash Provided(Used) by Operating Activities	
Depreciation Expense	240,474
Loss from Joint Venture	20,034
Change in Assets and Liabilities	
Receivables, net	162,630
Due from other governmental funds	(2,814)
Due from other governments	(4,235)
Interest receivable	902
Accounts Payable	(4,151)
Accrued Interest	16,641
Net Cash Provided(Used) by Operating Activities	<u><u>\$ 696,498</u></u>
<b>Non-cash disclosure of Capital and Related Financing and Investing Activities</b>	
Contribution in equity investment through conduit debt acquisition	<u><u>\$ 3,197,168</u></u>

**NEW BUFFALO TOWNSHIP****FIDUCIARY FUNDS-STATEMENT OF NET ASSETS  
June 30, 2004**

	Agency Funds		
	Property Tax	Trust & Agency	Total
	<u>Collection Fund</u>	<u>Fund</u>	<u>Agency Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 13,045	\$ 1,398	\$ 14,443
Due from other governmental funds	-	-	-
Total Assets	<u>\$ 13,045</u>	<u>\$ 1,398</u>	<u>\$ 14,443</u>
<b>Liabilities</b>			
Due to other governmental funds:			
General Fund	\$ 4,807	\$ 78	\$ 4,885
Special Revenue Funds	92	-	92
Due to other governmental units	8,146	1,320	9,466
Total Liabilities	<u>\$ 13,045</u>	<u>\$ 1,398</u>	<u>\$ 14,443</u>

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the New Buffalo Township (the "Township") conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

**A. Reporting Entity**

The Township is governed by an elected five-member council (Board). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria are established under GASB #39 for which organizations is to be included in the reporting entity. See the following criteria and descriptions for the component units reported:

**Blended Component Units**—A blended component unit is a legally separate entity from the Township, but is so intertwined with the unit that is, in substance, the same as the Township. It is reported as part of the Township and blended into the appropriate fund types. There were no such units at June 30, 2004.

**Discretely Presented Component Units**—The following component units are reported within the "component units" column in the government-wide financial statements. The discretely presented component unit is an entity that is legally separate from the Township, but for which the unit is financially accountable, or its relationship with the unit is such that exclusion would cause the unit's financial statements to be misleading or incomplete.

**New Buffalo Township Library** (the "Library")—The Library, which was established under P.A. 164 of 1877 as amended, is governed by a five member board selected by public ballot. Monies received are deposited in the local unit treasury to the credit of the Library Fund. A millage is assessed and collected in the same manner as other township taxes. Complete financial statements as of December 31, 2003, may be obtained directly from the Library at the following address:

New Buffalo Township Library  
33 North Thompson  
New Buffalo, MI 49117

**Jointly Governed Organization**—The Township has the following joint ventures:

**Cemetery Board**—The Township, in conjunction with the City of New Buffalo (the "City"), has entered into an agreement which created a joint Cemetery Board (the "Board") for the operation, care, and control of certain lands jointly used for the Pine Grove Cemetery.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****A. REPORTING ENTITY**

**Cemetery Board (concluded)**-The Board is comprised of five (5) members; two (2) appointed by the City's Council and two (2) by the Township's Board and the last member, the Chairperson, appointed by the other four (4) members from the elector-at-large. The Township provides, by appropriation, 50% of the total amount requested by the Board for operating the Pine Grove Cemetery. The Township's contribution for 2004 was \$24,000. The budget is submitted annually by the Board and approved by the City and Township.

In accordance with Statement on Michigan Governmental Accounting and Auditing No. 5, the financial statements of the Cemetery Board are not included within the body of the financial statements of the Township. Financial statements are available from the Board, with the following audited summary financial information on the Board as of June 30, 2003 (June 30, 2004 was unavailable).

Total Assets	\$ 6,331
Total Liabilities	452
Total Net Assets	5,879
Total Revenues	48,443
Total Expenditures	58,638
Decrease in Net Assets	(10,195)

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****B. Government-Wide and Fund Financial Statements, concluded**

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

**Property Taxes**--The Township's property taxes attach as an enforceable lien on December 1<sup>st</sup>, on the taxable valuation of property (as defined by State statutes) located in the Township and payable on February 15 of the succeeding year. The Township's 2003 ad valorem tax is levied and collectible on December 1, 2003 and it is recognized as revenue in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, concluded.**

The 2003 taxable valuation of the Township totaled \$317.1 million, on which ad valorem taxes levied which consisted of .474 mills for the Township's operating purposes and .3866 mills for ambulance services. These amounts are recognized in the respective General and Special Revenue Funds financial statements as taxes receivable—current or as tax revenue.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Township reports the following major proprietary funds:

The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of



**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**D. Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value and consist of only certificates of deposit greater than 90 days.

Receivables and Payables—In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items—Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets—Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Township has chosen not to retroactively report any other infrastructure assets at June 30, 2003 and will only report any additions prospectively in accordance with G.A.S.B. #34.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****D. Assets, Liabilities, and Net Assets or Equity**

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, there were no assets under construction and no interest expense to capitalize.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Land Improvements	10 to 20 years
Water and Sewer Lines	50 to 75 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Compensated Absences (Vacation and Sick Leave)—It is the Township's policy to permit employees to accumulate earned but not unused sick and vacation pay benefits. There is no liability for unpaid accumulated vacation and sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government.

Long-Term Obligations—In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED****D. Assets, Liabilities, and Net Assets or Equity**

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of fund balance represent tentative management plans that are subject to change.

Estimates—The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures.

**E. Accounting Change**

Effective July 1, 2003, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basis Financial Statements—and Management’s Discussions and Analysis—for State and Local Governments (“GASB 34”). Changes to the Township’s financial statements as a result of GASB 34 are as follows:

A Management’s Discussion and Analysis (“MD&A”) section providing analysis of the Township’s overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using full accrual accounting for all of the Township’s activities have been provided.

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at the fiscal year end. The Township Supervisor submits the proposed operating budget for the fiscal year commencing July 1<sup>st</sup> and public hearing are conducted to obtain taxpayer comments. After submission, the Township Board formally adopts the budget and any future transfers or amendments must be approved by the Township Board.

The budget document presents information by fund, function. The legal level of budgetary control adopted by the governing board (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township to have its budget in place by July 1<sup>st</sup>. Expenditures in excess of the amounts budgeted is violation of P.A. 621 of 1978, Section 18(1) as amended. State law permits Townships to amend its budgets during the year. There was one amendment during the year.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Major Budgeted Funds—During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General Fund</b>			
General Government-Supervisor	\$ 13,645	\$ 13,695	\$ (50)
General Government-Elections	-	35	(35)
General Government-Assessing Equalization	45,660	47,612	(1,952)
General Government-Treasurer	48,897	49,117	(220)
General Government-Planning Commission/Other	10,070	13,687	(3,617)
Public Safety - Fire	104,800	116,266	(11,466)
Public Works	13,900	14,958	(1,058)
Recreation and Culture	900	4,780	(3,880)

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, and had no impact on the financial results of the Township.

Fund Deficits—The Township has no accumulated fund balance/retained earning deficits in their reported funds.

**NOTE 3. DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated four (4) banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

At June 30, 2004, the Township's deposits and investments were reported in the basis financial statements in the following categories:

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	Total Primary <u>Government</u>	Fiduciary <u>Funds</u>	Component <u>Units</u>
Cash and Cash Equivalents	\$ 466,611	\$ 959,061	\$ 1,425,672	\$ 14,443	\$ 375,144
Certificate of deposits	19,159	445,669	464,828	-	-
Total	<u>\$ 485,770</u>	<u>\$ 1,404,730</u>	<u>\$ 1,890,500</u>	<u>\$ 14,443</u>	<u>\$ 375,144</u>

The breakdown between deposits and investments is as follows:

	Primary <u>Government</u>	Fiduciary <u>Funds</u>	Component <u>Units</u>
Bank Deposits (checking and savings accounts, C/D's)	\$ 1,425,072	\$ 14,343	\$ 375,144
Certificate of Deposits > 90 days	464,828	-	-
Petty Cash and Cash on Hand	600	100	-
	<u>\$ 1,890,500</u>	<u>\$ 14,443</u>	<u>\$ 375,144</u>

The bank balance of the primary government's and fiduciary deposits is \$1,909,819, of which \$351,101 is covered by federal depository insurance. The component units' deposits had a bank balance of \$375,144 of which \$350,918 was covered by federal depository insurance.

**NOTE 4. RECEIVABLES**

Receivables as of year-end for the Township's individual major and nonmajor funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Water and Sewer	Non-Major Funds	Total
Taxes Receivable	\$ 1,894	\$ -	\$ 362	\$ 2,256
Accounts	543	43,269	-	43,812
Special Assessments	-	1,936,627	-	1,936,627
Intergovernmental	23,307	-	-	23,307
Less: Allowance for Uncollectible	-	-	-	-
Net Receivables	<u>\$ 25,744</u>	<u>\$ 1,979,896</u>	<u>\$ 362</u>	<u>\$ 2,006,002</u>

**NOTE 5. CAPITAL ASSETS**

Capital asset activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b><i>Governmental Activities</i></b>				
Capital assets not being depreciated				
Land	<u>\$ 44,674</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,674</u>
Capital assets being depreciated				
Land improvements	\$ 96,469	\$ -	\$ -	\$ 96,469
Building improvements	253,031	-	-	253,031
Equipment	<u>624,761</u>	<u>-</u>	<u>-</u>	<u>624,761</u>
Subtotal	<u>\$ 974,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 974,261</u>
Less: Accumulated Depreciation	<u>(463,790)</u>	<u>(60,023)</u>	<u>-</u>	<u>(523,813)</u>
Net Capital Assets Being Depreciated	<u>\$ 510,471</u>	<u>\$ (60,023)</u>	<u>\$ -</u>	<u>\$ 450,448</u>
<b>Governmental activities capital total</b>				
<b>capital assets-net of depreciation</b>	<u><u>\$ 555,145</u></u>	<u><u>\$ (60,023)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 495,122</u></u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities;	
General Governments	\$60,023

## NOTE 5. CAPITAL ASSETS, CONTINUED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b><i>Business-Type Activities</i></b>				
Capital assets not being depreciated				
Land	\$ 4,354	\$ -	\$ -	\$ 4,354
Construction in progress	78,266	29,112	(94,171)	13,207
	<u>\$ 82,620</u>	<u>\$ 29,112</u>	<u>\$ (94,171)</u>	<u>\$ 17,561</u>
Capital assets being depreciated				
Infrastructure	\$8,179,191	\$ 94,171	\$ -	\$8,273,362
Equipment	24,602	-	-	24,602
Subtotal	<u>\$8,203,793</u>	<u>\$ 94,171</u>	<u>\$ -</u>	<u>\$8,297,964</u>
Less: Accumulated Depreciation	<u>(2,941,797)</u>	<u>(240,474)</u>	<u>-</u>	<u>(3,182,271)</u>
Net capital assets being depreciated	<u>\$5,261,996</u>	<u>\$(146,303)</u>	<u>\$ -</u>	<u>\$5,115,693</u>
<b>Business-Type Activities capital total</b>				
<b>capital assets-net of depreciation</b>	<u><u>\$5,344,616</u></u>	<u><u>\$(117,191)</u></u>	<u><u>\$ (94,171)</u></u>	<u><u>\$5,133,254</u></u>
Depreciation was charged to programs for the business-type activities as follows:				
Water	\$ 112,771			
Sewer	127,703			
	<u>\$ 240,474</u>			

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b><i>Component Unit Activities</i></b>				
Capital assets not being depreciated				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Capital assets being depreciated				
Buildings and improvements	\$ 208,814	\$ -	\$ -	\$ 208,814
Furniture and fixtures	88,273	1,851	(490)	89,634
Office and library equipment	77,844	1,380	(4,025)	75,199
Subtotal	<u>\$ 374,931</u>	<u>\$ 3,231</u>	<u>\$ (4,515)</u>	<u>\$ 373,647</u>
Less: Accumulated Depreciation	<u>(272,892)</u>	<u>(21,994)</u>	<u>4,515</u>	<u>(290,371)</u>
Net capital assets being depreciated	<u>\$ 102,039</u>	<u>\$ (18,763)</u>	<u>\$ -</u>	<u>\$ 83,276</u>
<b>Component Unit Activities capital total</b>				
<b>capital assets-net of depreciation</b>	<u><u>\$ 107,039</u></u>	<u><u>\$(18,763)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 88,276</u></u>

Construction Commitments—The government has one water-line extension project on Kruger Road active at June 30, 2004.

**NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Due to/from other funds</b>		
General	Building	\$ 1,801
	Liquor	100
	Property Tax Collection	4,807
	Trust & Agency	78
	Sewer	961
Ambulance	Property Tax Collection	92
Water	General	38,072
Sewer	Water	26,284
<b>Total</b>		<u><u>\$ 72,195</u></u>

There were no interfund transfers or due to/from primary government and component unit.

**NOTE 7. DESIGNATED NET ASSETS**

The Township had the following designated net assets:

**Governmental Activities:**

Fire Reserve	\$ 101,790
Park I-Water	5,593
Park II-Equipment	1,775
Park III-Land	11,790
	<u><u>\$ 120,948</u></u>



**NOTE 8. LONG TERM DEBT**

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>						
Note Payable						
2003 Skate Park-Recreation & Culture	3.30%	11/1/2006	<u>\$ 10,000</u>	<u>\$ (2,500)</u>	<u>\$ 7,500</u>	<u>\$ 2,500</u>
<b>Business-Type Activities</b>						
<i>Revenue Bonds</i>						
1994 Special Assessment Bond	4.00 to 5.95%	4/1/2009	\$ 33,000	\$ (33,000)	\$ -	\$ -
1998 Series A Special Assessment Bond	4.25 to 5.80%	3/1/2018	131,200	(9,600)	121,600	9,600
1998 Series B Special Assessment Bond	4.25 to 5.00%	3/1/2019	115,000	(9,200)	105,800	9,200
1999 Special Assessment Bond	4.29 to 5.50%	3/1/2013	655,000	(100,000)	555,000	100,000
2000 Special Assessment Bond	4.75 to 5.40%	3/1/2015	655,000	(55,000)	600,000	60,000
<i>County Contractual Obligations</i>						
Water Supply System No. 19 Bonds	5.00 to 7.00%	3/1/2004	5,000	(5,000)	-	-
Unamortized Discounts			(16,641)	1,614	(15,027)	(1,613)
<b>Subtotal Water Fund</b>			<u>\$1,577,559</u>	<u>\$ (210,186)</u>	<u>\$ 1,367,373</u>	<u>\$ 177,187</u>

## NOTE 8. LONG TERM DEBT, CONCLUDED

	Interest Rate	Principal Matures	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
<i>General Obligation Bonds</i>						
2003 GRSD Sewer Authority Bonds	2.00 to 4.70%	6/30/2029	\$ -	\$ 3,197,168	\$ 3,197,168	\$ -
<i>Revenue Bonds</i>						
1998 Series A Special Assessment Bond	4.25 to 5.80%	3/1/2018	278,800	(20,400)	258,400	20,400
1998 Series B Special Assessment Bond	4.25 to 5.00%	3/1/2019	135,000	(10,800)	124,200	10,800
<i>County Contractual Obligations</i>						
Sewage Disposal System No. 7 Refunding Bonds	4.00 to 4.45%	3/1/2004	53,411	(53,411)	-	-
Unamortized Discounts			(8,993)	(80,413)	(89,406)	(3,725)
<b>Subtotal Sewer Fund</b>			<u>\$ 458,218</u>	<u>\$ 3,032,144</u>	<u>\$ 3,490,362</u>	<u>\$ 27,475</u>
Total Business-Type Activities			<u><u>\$2,035,777</u></u>	<u><u>\$ 2,821,958</u></u>	<u><u>\$ 4,857,735</u></u>	<u><u>\$ 204,662</u></u>

Interest expense was charged to programs for the business-type activities as follow:

Water	\$ 76,543
Sewer	99,119
	<u>\$ 175,662</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ended June 30,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	Principal	Interest	Principal	Interest
2005	\$ 2,500	\$ 251	\$ 204,662	\$ 135,182
2006	2,500	168	199,662	135,135
2007	2,500	84	290,558	133,505
2008	-	-	292,534	132,066
2009	-	-	296,486	129,251
2010-2014	-	-	1,063,907	581,276
2015-2019	-	-	796,673	531,848
2016-2024	-	-	757,943	276,757
2025-2029	-	-	955,310	117,905
Total	<u>\$ 7,500</u>	<u>\$ 503</u>	<u>\$ 4,857,735</u>	<u>\$2,172,925</u>

**NOTE 9. EQUITY INVESTMENT (PROPRIETARY FUND)**

The Township participates with Chikaming and Lake Charter Townships, and the Cities of New Buffalo and Bridgman (admitted under 2000 agreement) in a joint venture investment known as the GRSD Sewer Authority (the "Authority"). The Authority provides sewage treatment and collection facilities for the residents of those municipalities.

The Authority is governed by a joint board of six members consisting of one member from each of the participating municipalities appointed by their respective governing bodies, and the sixth member appointed by the other five.

On dissolution of the Authority, net assets will be shared on a pro-rata basis as follows:

New Buffalo Township	16.60%
Chikaming Township	28.60%
Lake Charter Township	16.60%
City of New Buffalo	21.60%
City of Bridgman	16.60%
	<u>100.00%</u>

The Township has accounted for this investment using the equity method. Financial statements are available from the Authority, with the following audited summary financial information on the GRSD Authority as of and for the year ended December 31, 2003, with a report thereto dated May 18, 2004:

Assets	\$ 15,033,312
Liabilities	71,043
Net Assets	14,962,269
Operating Revenues	1,062,538
Operating Expenses	1,220,898
Nonoperating Revenues	39,821
Net Earnings	(118,539)

The Township's net investment and share of the operating results of the Authority are reported in the Sewer Fund. The Township's equity investment was \$3,787,473 as of December 31, 2003.

**NOTE 10. RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township carries insurance for these risks. Settled claims resulting from these risks have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 11. PRIOR PERIOD ADJUSTMENT**

Net Assets at the beginning of fiscal 2004 in the sewer fund have been adjusted to correct an error made in a prior year for the adjusting the equity investment. The error had no effect on change in net assets for fiscal year 2003.

**NOTE 12. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

Certain claims, suits, and complaints arising in the ordinary course of business have been filed, appealed, or are pending against the Township as follows:

*Daniel P. O'Brien vs. New Buffalo Township*

This case involves the development of a parcel of property in New Buffalo Township, commonly known as the Whittaker Woods Project, which is being developed from its current rural agricultural status into a golf course and residential community. The Plaintiff claims he was improperly denied a building permit for a house in the subject property site (which has now been constructed, and may have been sold). The Plaintiff also claims the Township or its officials or employees have unfairly violated his civil rights.

The U.S. Federal Court for the Western District of Michigan granted summary judgment in favor of the Township on July 21, 2003, and the Plaintiffs have appealed. Appellate briefs have been filed in the United State Sixth Court of Appeals.

In the opinion of management and legal counsel, all such matters are covered by insurance or if not so covered, are without merit and, in any event, their ultimate resolution will not have a material effect on the Township's financial position or operations.

**NOTE 13. LEASES**

Operating Leases—The Township leases equipment under noncancellable operating leases. Total costs for such leases were \$1,068 the current year. The future minimum lease payments for these leases are as follows:

6/30/2005	\$	1,068
6/30/2006		801
Total	\$	<u>1,869</u>

## **REQUIRED SUPPLEMENTAL INFORMATION**

**NEW BUFFALO TOWNSHIP****BUDGETARY COMPARISON SCHEDULE-GENERAL FUND  
June 30, 2004**

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance with Amended <u>Budget</u>
Beginning of Year Fund Balance	\$ 291,615	\$ 291,615	\$ 291,615	
<b>Resources(Inflows)</b>				
Taxes	\$ 154,500	\$ 154,632	\$ 152,449	\$ (2,183)
Service and tax administrator fees	113,500	113,500	113,012	(488)
Licenses and Permits	132	1,000	3,163	2,163
State Grants	145,000	145,000	137,558	(7,442)
Charges for Services	-	23,850	21,632	(2,218)
Fines and Forfeits	-	100	178	78
Interest and Rentals	50,000	83,250	73,997	(9,253)
Other Revenues	73,800	15,600	17,368	1,768
Amounts Available for Appropriation	<u>\$ 536,932</u>	<u>\$ 536,932</u>	<u>\$ 519,357</u>	
<b>Charges to Appropriations(Outflows)</b>				
General Government				
Legislative	\$ 91,700	\$ 91,700	\$ 87,186	\$ 4,514
Supervisor	13,645	13,645	13,695	(50)
Elections	-	-	35	(35)
Assessing Equalization	45,660	45,660	47,612	(1,952)
Clerk	39,515	37,465	32,436	5,029
Board of Review	1,250	1,250	1,240	10
Treasurer	48,897	48,897	49,117	(220)
Building and grounds	20,500	20,500	19,497	1,003
Cemetery	24,000	24,000	22,260	1,740
Planning Commission	4,350	4,350	4,595	(245)
Zoning Board	35,415	35,415	34,532	883
All other general government	5,720	5,720	9,092	(3,372)
Public Safety				
Fire	104,800	104,800	116,266	(11,466)
Public Works				
Public works, streets, highways, and lights	13,900	13,900	14,958	(1,058)
Recreation and Culture				
Parks and recreation	900	900	4,780	(3,880)
Debt Service	-	2,850	2,848	2
Total Charges to Appropriations	<u>\$ 450,252</u>	<u>\$ 451,052</u>	<u>\$ 460,149</u>	
Budgetary Fund Balance-June 30, 2005	<u>\$ 378,295</u>	<u>\$ 377,495</u>	<u>\$ 350,823</u>	

## **OTHER SUPPLEMENTAL INFORMATION**



**NEW BUFFALO TOWNSHIP****COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2004**

	Special Revenue Funds			Total Non-Major Governmental Funds
	Ambulance Fund	Building Fund	Liquor Fund	
<b>Assets</b>				
Cash and Cash Equivalents	\$ 70,482	\$ 46,820	\$ 7,825	\$ 125,127
Taxes Receivable	362	-	-	362
Accounts Receivable	-	-	-	-
Due from other governmental funds	-	-	-	-
Due from Fiduciary Funds	92	-	-	92
Total Assets	<u>\$ 70,936</u>	<u>\$ 46,820</u>	<u>\$ 7,825</u>	<u>\$ 125,581</u>
<b>Liabilities and Fund Equity</b>				
Liabilities				
Accounts Payable	\$ 35	\$ 487	\$ -	\$ 522
Due to other governmental funds	-	1,801	100	1,901
Total Liabilities	<u>\$ 35</u>	<u>\$ 2,288</u>	<u>\$ 100</u>	<u>\$ 2,423</u>
<b>Fund Balance</b>				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved:				
Designated	-	-	-	-
Undesignated	70,901	44,532	7,725	123,158
Total Fund Equity	<u>\$ 70,901</u>	<u>\$ 44,532</u>	<u>\$ 7,725</u>	<u>\$ 123,158</u>
Total Liabilities and Fund Equity	<u>\$ 70,936</u>	<u>\$ 46,820</u>	<u>\$ 7,825</u>	<u>\$ 125,581</u>

**NEW BUFFALO TOWNSHIP**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**June 30, 2004**

	Special Revenue Funds			Total Non-Major Governmental Funds
	<u>Ambulance Fund</u>	<u>Building Fund</u>	<u>Liquor Fund</u>	
<b>Revenues</b>				
Taxes and Penalties	\$ 122,260	\$ -	\$ -	\$ 122,260
Charges for Services	-	193,461	-	193,461
Interest and Rentals	174	261	-	435
Other Revenues	-	-	4,670	4,670
Total Revenues	<u>\$ 122,434</u>	<u>\$ 193,722</u>	<u>\$ 4,670</u>	<u>\$ 320,826</u>
<b>Expenditures</b>				
Current				
General Government	\$ -	\$ 150,400	\$ 4,522	\$ 154,922
Public Safety	106,800	-	-	106,800
Capital Outlay	-	-	-	-
Total Expenditures	<u>\$ 106,800</u>	<u>\$ 150,400</u>	<u>\$ 4,522</u>	<u>\$ 261,722</u>
<b>Excess of Revenues Over Expenditures</b>	\$ 15,634	\$ 43,322	\$ 148	\$ 59,104
<b>Other Financing Sources(Uses)</b>				
Operating Transfers In	\$ -	\$ -	\$ -	\$ -
Operating Transfers Out	-	-	-	-
Total Other Financing Sources(Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Excess of Revenue and Other Sources Over(Under) Expenditures and Other Uses</b>	\$ 15,634	\$ 43,322	\$ 148	\$ 59,104
Fund Balance-July 1, 2003	<u>55,267</u>	<u>1,210</u>	<u>7,577</u>	<u>64,054</u>
Fund Balance-June 30, 2004	<u><u>\$ 70,901</u></u>	<u><u>\$ 44,532</u></u>	<u><u>\$ 7,725</u></u>	<u><u>\$ 123,158</u></u>



December 17, 2004

To the Township Board of  
New Buffalo Township  
New Buffalo, MI

In planning and performing our audit of the financial statement of New Buffalo Township ("Township") for the year ended June 30, 2004, we considered the Township's internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving the internal control structure and its operation that we consider opportunities for strengthening internal controls and operating efficiency.

#### **SEGREGATION OF DUTIES**

Control over cash receipt transactions is limited because of insufficient segregation of duties. The same individual accepts cash receipts; records cash receipts, prepares bank deposits, and makes bank deposits. In addition, the same individual receives the bank statements and prepares the bank reconciliations. Due to limited personnel, the Township does not feel further segregation would be warranted from a cost/benefit standpoint.

#### **REVIEW GOVERNMENT ACCOUNTING STANDARD BOARD ("GASB") STATEMENT #40-DEPOSIT AND INVESTMENT RISK DISCLOSURES.**

Effective June 30, 2005, governmental entities will be required to expand their current disclosure requirements addressing common risks of deposits and investments. The disclosure requirements apply to debt and an equity investment held directly by the entity or indirectly by the investment advisors and requires that a governmental entity disclose investment policies that are related to custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. If the entity has adopted no policy with respect to a particular risk, that fact should also be part of the disclosure.

The Township should review its investment policies to determine all common risk areas are identified and the appropriate level of risk for each area is quantified.

#### **UPDATE CREDIT CARD USE POLICY**

We noted the Township uses credit cards for Township business currently and has adopted a policy by resolution in 2001. We recommend that the policy be updated to conform to guidelines described by Department of Treasury Letter No. 2-96 as follows:

#### UPDATE CURRENT CREDIT CARD USE POLICY (CONCLUDED)

- a) A named officer or employee is responsible for the issuance, accounting, monitoring, and retrieval and generally for overseeing compliance with the credit card policy.
- b) That the credit card may be used only by an officer or employee for the purchase of goods or services for the official business of the Township.
- c) The officer or employee using the credit card must submit documentation detailing the goods or services purchased, cost, date of the purchase, and the official business.
- d) The officer or employee issued the card is responsible for its protection and custody and shall immediately notify the local unit if the card is stolen.
- e) The officer or employee must immediately surrender the card upon termination.
- f) For a system of internal controls to monitor the use of the credit card.
- g) Approval of credit card invoice **before** payment.
- h) That the balance including interest due on an extension of credit under the credit card arrangement shall be paid for not more than 60 days of the initial statement date. The Township shall comply with this provision of the credit card policy.
- i) The policy must provide for disciplinary measures consistent with law for unauthorized use.
- j) Any other matters the governing body considers advisable.
- k) The total combined authorized credit limit of all cards issued by the Township shall not exceed 5% of the total budget of the Township for the current fiscal year. The Township may include in its budget the authorization to pay the balance due on any credit cards, including the annual fee and interest.

#### ADOPTION OF CAPITALIZATION POLICY

With the Township's adoption of G.A.S.B. 34 requirements, it is necessary for Township assets in all funds to be properly tracked, recorded, and depreciated in accordance with prescribed accounting policies.

We recommend that the Township adopt a capitalization policy, through a resolution, for assets that have a life expectancy greater than one (1) year and a value over a certain dollar limit (e.g. \$5,000) to be capitalized for proper financial recording. The policy should also adopt how long each asset will be depreciated and any salvage value it may have.

The report is intended solely for the information and use of New Buffalo Township management, and others within the Township, and is not intended to be and should not be used by anyone other than these parties.

We appreciate the courtesy and cooperation extended to us by you and members of the Township during the audit. We appreciate the opportunity to present these recommendations for your consideration and would be pleased to discuss them further at your convenience.

*McMurray, Marks & Edmunds*

McMurray, Marks & Edmunds  
St. Joseph, MI